

AMENDED IN ASSEMBLY JANUARY 14, 2008
AMENDED IN ASSEMBLY DECEMBER 13, 2007

CALIFORNIA LEGISLATURE—2007–08 REGULAR SESSION

ASSEMBLY BILL

No. 1480

Introduced by Assembly Member Mendoza

February 23, 2007

An act to amend Section 24976 of, and to add Section 24950.5 to, the Education Code, relating to state teachers' retirement, and making an appropriation therefor.

LEGISLATIVE COUNSEL'S DIGEST

AB 1480, as amended, Mendoza. State teachers' retirement: annuity contracts and custodial accounts.

Existing law requires the State Teachers' Retirement System to offer annuity contracts and custodial accounts to all employees of any state agency who are members of the State Teachers' Retirement Plan, as specified, or any employee of a local public agency or political subdivision of the state that employs persons to perform creditable service subject to coverage by the plan, as specified. Existing federal law permits the creation of individual retirement accounts referred to as Roth IRAs, and regulates the conditions under which a taxpayer may make a rollover contribution to a Roth IRA from another individual retirement account.

Existing law provides for the deposit of funds into the Teachers' Deferred Compensation Fund, a continuously appropriated fund.

This bill would permit the State Teachers' Retirement System to administer a Roth IRA for the purpose of accepting a rollover from an annuity contract or custodial account offered by the system to the extent

the rollover complies with the federal tax law. The bill would permit the system to provide for the administration of the Roth IRA by a qualified 3rd-party administrator who would provide custodial, investment, recordkeeping, or administrative services. *The bill would also provide for the deposit of revenues into the Roth IRA Operating Account within the Teachers' Deferred Compensation Fund. By increasing amounts deposited in that fund, this bill would make an appropriation.*

Vote: majority. Appropriation: ~~no~~-yes. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Section 24950.5 is added to the Education Code,
2 to read:

3 24950.5. (a) The system may administer an individual
4 retirement plan as described in Section 408A of Title 26 of the
5 United States Code for the purpose of accepting a rollover from
6 an annuity contract or custodial account offered by the system
7 pursuant to this chapter to the extent the rollover complies with
8 Title 26 of the United States Code.

9 (b) The system may provide for the administration of the
10 individual retirement plan described in subdivision (a) by a
11 qualified third-party administrator who shall, by agreement with
12 the system, provide custodial, investment, recordkeeping, or
13 administrative services, or any combination thereof.

14 SEC. 2. Section 24976 of the Education Code is amended to
15 read:

16 24976. (a) (1) The Teachers' Deferred Compensation Fund
17 is hereby established to serve as the repository of funds received
18 by the system pursuant to this chapter, Chapter 36 (commencing
19 with Section 24950) or Chapter 39 (commencing with Section
20 25100).

21 (2) Except as described in paragraph (6), premium and fee
22 revenues received by the system pursuant to Chapter 36
23 (commencing with Section 24950), *except Section 24950.5*, shall
24 be deposited into the 403(b) Services Operating Account within
25 the Teachers' Deferred Compensation Fund, and shall only be
26 used to carry out the purposes of that chapter, *excluding Section*
27 *24950.5*.

1 (3) *Premium and fee revenues received by the system pursuant*
2 *to Section 24950.5 of Chapter 36 shall be deposited into the Roth*
3 *IRA Operating Account within the Teachers' Deferred*
4 *Compensation Fund, and shall only be used to carry out the*
5 *purposes of that section.*

6 ~~(3)~~

7 (4) Premium and fee revenues received by the system pursuant
8 to this chapter shall be deposited into the Deferred Compensation
9 Services Operating Account within the Teachers' Deferred
10 Compensation Fund, and shall only be used to carry out the
11 purposes of this chapter.

12 ~~(4)~~

13 (5) Compensation deferrals received by the system pursuant to
14 this chapter shall be deposited into the Deferred Compensation
15 Investment Account within the Teachers' Deferred Compensation
16 Fund, and shall only be used to carry out the purposes of this
17 chapter.

18 ~~(5)~~

19 (6) Fee revenues received by the system pursuant to Chapter
20 39 (commencing with Section 25100) shall be deposited into the
21 403(b) Vendor Registry Operating Account within the Teachers'
22 Deferred Compensation Fund, and shall only be used to carry out
23 the purposes of that chapter.

24 ~~(6)~~

25 (7) Fee revenues received by the system pursuant to Sections
26 24953 and 24977, and any assets in the Teachers' Retirement
27 Program Development Fund pursuant to Section 22307.5 as of
28 January 1, 2008, shall be deposited into the Deferred Compensation
29 Administrative and Compliance Services Operating Account within
30 the Teachers' Deferred Compensation Fund, and shall only be
31 used to carry out the purposes of Sections 24953 and 24977.

32 ~~(7)~~

33 (8) Notwithstanding Section 13340 of the Government Code,
34 all moneys in the Teachers' Deferred Compensation Fund shall
35 be continuously appropriated without regard to fiscal year to carry
36 out the purposes of this chapter, Chapter 36 (commencing with
37 Section 24950), and Chapter 39 (commencing with Section 25100).

38 (b) With respect to deferred compensation plans administered
39 pursuant to this chapter, and notwithstanding any other provision
40 of law, the system may retain a bank or trust company, or a credit

1 union, to serve as custodian of the moneys of the Teachers'
2 Deferred Compensation Fund and to provide for safekeeping,
3 recordkeeping, delivery, securities valuation, or investment
4 performance reporting services, or services in connection with
5 investment of the Teachers' Deferred Compensation Fund.

6 (c) With respect to deferred compensation plans administered
7 pursuant to this chapter, the Teachers' Deferred Compensation
8 Fund shall consist of the following sources and receipts, and
9 disbursements shall be accounted for as set forth below:

10 (1) Premiums determined by the system and paid by
11 participating employers and employees for the cost of administering
12 the deferred compensation plan.

13 (2) Asset management fees as determined by the system assessed
14 against investment earnings of investment option or of other
15 investment funds. These fees shall be disclosed to employees
16 participating in the deferred compensation plan.

17 (3) Compensation deferrals to be paid in monthly installments
18 by employers sponsoring deferred compensation plans described
19 in Section 24975 for investment by the system. The moneys shall
20 be deposited in the investment corpus account within the Teachers'
21 Deferred Compensation Fund and invested in accordance with the
22 investment options selected by the participating employee.

23 (4) Disbursements to participating employees shall be paid from
24 a disbursement account within the Teachers' Deferred
25 Compensation Fund in accordance with applicable federal law
26 pertaining to deferred compensation plans.

27 (5) Income, of whatever nature, earned on the Teachers'
28 Deferred Compensation Fund shall be credited to the appropriate
29 account. The accounts of participating employees of the employer
30 shall be individually posted to reflect amounts of compensation
31 deferred and investment gains and losses. A periodic statement
32 shall be given to each participating employee.

33 (6) The system shall have exclusive control of the administration
34 and investment of the Teachers' Deferred Compensation Fund.

35 (7) All of the system's costs of administering the deferred
36 compensation plans pursuant to this chapter shall be recovered
37 from the employees who participate in the plans or assets of the

- 1 Teachers' Deferred Compensation Fund in a manner acceptable
- 2 to the board.

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